Policy Problems

US Leadership: The main policy question related to the Bank facing the new Administration will be whether it wants to maintain the traditional US leadership role in the Bank. If so, early efforts will be needed to assure timely US subscription to the Bank's General Capital Increase (GCI). On January 4, 1980, the Bank's Board of Governors authorized an increase in the capital of the Bank totalling $40 billion. The US share of the increase would be $8.8 billion, or 22 percent. Only 7.5 percent of the subscription would be paid in, thereby requiring appropriations. Failure to take our full share of the GCI on a timely basis would not only damage US credibility in the Bank, but would also result in the loss of our unique status as the only member of the Bank able to veto charter amendments. Although we have never used the veto (requiring 20 percent of the voting power), it is an important symbol of US leadership in and commitment to the Bank.

Energy Affiliate: The communique of the Venice Summit called for the Bank to consider a new affiliate to provide additional funds to assist developing countries in developing their energy resources. The target level of lending for the affiliate would be $30 billion in FY 82-86. The primary goal would be to increase world energy supplies. Another major objective of the affiliate would be to mobilize additional OPEC funds to assist in LDC development. The latter goal will be a major consideration in designing the institutional structure of an affiliate during the next few months.

China: The participation of the People's Republic of China will require some major adjustments in Bank lending patterns. Established criteria for the distribution of Bank lending (population, level of poverty, etc.) suggest that the PRC would receive a significantly larger share of Bank and IDA money than did Taiwan. Such a realignment of lending could have major implications for traditional heavy borrowers, including India, Egypt and Pakistan.

Human Rights: Since January 1, 1977, the U.S. has opposed, through "no" votes or abstentions, nearly 100 loans (including other MDBs) on grounds of human rights. A substantial change in this policy would require changes in current legislation.

Political Issues: One of the first "political" problems facing the new Administration with regard to the Bank (and the IMF) will be the PLO observer issue. The Executive Board is scheduled to make recommendations on the observer question by March 31. Although we successfully deferred the issue at the 1980 Annual Meeting, it will be difficult to avoid an outcome permitting PLO observers under one guise or another.